TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

CORRECTED FISCAL NOTE

HB 2135 - SB 2094

April 1, 2011

SUMMARY OF BILL: Authorizes the State to issue direct general obligation interest bearing bonds in amounts not to exceed $273,000,000. Of this amount, $59,600,000 will be allocated to the Department of Finance and Administration for acquisition of equipment, and erection, construction, and equipment of sites and buildings, and for the purpose of making grants to local governments; $7,900,000 for the State Office Buildings and Support Facilities Revolving Fund; and $44,000,000 for industrial development corporations. The Department of Transportation will be allocated $74,000,000 for the construction of highways and $87,500,000 for implementation of Phase III of the Tennessee Transportation Infrastructure Improvement Bond Program. Authorizes the Funding Board to issue bond amounts not to exceed 2.5 percent of the amounts specified above for funding discount and cost of issuance.

ESTIMATED FISCAL IMPACT:

On March 29, 2011, a fiscal note was issued estimating a fiscal impact as follows:

Increase State Expenditures – $30,030,000 – First Year Debt Service

<u>*$444,990,000 Over life of the bonds*</u>
$273,000,000 Principal
$171,990,000 Interest

Due to incomplete information as of March 29, 2011, this impact was in error. Based on additional information provided by the Department of Finance and Administration, the estimated impact is:

(CORRECTED)

Increase State Expenditures – $29,400,000 – First Year Debt Service

<u>**$444,990,000 Over life of the bonds**</u>
$273,000,000 Principal
$171,990,000 Interest

An amount of $29,400,000 is included in the Governor's recommended budget document for FY11-12.

Assumptions:

- All projects authorized shall be approved by the State Building Commission.
- The coupon rate is estimated to be six percent.
- Bonds are issued for a term of 20 years.
- One-twentieth of the principal plus interest will be paid annually.
- Based on current bond market rates, it is estimated that the cost of capital reflected by a six percent coupon rate will be sufficient for paying actual first-year debt service plus any costs of issuance.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director

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